MANAGING CORPORATE SOCIAL RESPONSIBILITY KNOWLEDGE FOR IMPROVED COMPETITIVENESS: A CONCEPTUAL FRAMEWORK

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Abstract: The pace of change experienced by modern businesses is phenomenal. The responsibilities of businesses and their impact on communities in which they operate and seek to serve are more important now than ever before. Global competition, the knowledge economy, and the potential offered by emerging technologies along with environmental pressures and growing societal commitment to the principle of sustainable development pose profound strategic challenges for business. Businesses today have to abandon many of the principles that have guided generations of managers, and develop a new set of objectives and rules that will enable them to successfully manage change and guide them to transform into 21st century organisations. As organisations try to meet these change challenges, they need to be innovative and to produce knowledge-intensive services desired by the market so as maintain competitive advantage. Many organisations are convinced that they benefit from encouraging responsible business practices. Corporate social responsibility concerns the management of an organisation’s total impact upon its immediate stakeholders and upon the society within which it operates. This paper is based, primarily, on a review of literature as part of an on-going PhD research study of ‘the contribution of knowledge and change management to competitiveness in sustainable urban environments’. It reviews the key drivers, challenges and benefits associated with managing corporate social responsibility knowledge. It also presents a conceptual framework for managing corporate social responsibility knowledge. The paper concludes that managing corporate social sustainability knowledge is an integrated and complex process. This has culture, people, technology, communication, leadership and organisational structures at its core. It is suggested that qualitative research is necessary to uncover many of the complex and intricate issues associated with managing corporate social responsibility knowledge.

Keywords: Corporate Social Responsibility, Knowledge Management, Stakeholders, Sustainability, Urban Environment.

1. INTRODUCTION

As we enter the 21st century, the concept of corporate social responsibility (CSR) has captured the attention not only of corporate leaders but also society. The corporate scandals associated with Enron and WorldCom in the USA. Also with Parmalat and Vivendi in Europe, together with the collapse of Arthur Andersen, the respected accounting, auditing and consulting global giants have significantly reduced worldwide public trust in the corporate community. The World Economic Forum’s 2004 survey on trust revealed that only 7% of respondents consider that global companies operate in the best interest of society. Organisations are seen as profit-generating and wealth-enhancing for the select few stakeholders only. The force of public outcry against unethical behaviour has turned the spotlight on the importance of CSR, so ensuring that organisations focus on social and environmental issues as well as economic returns (Weymes, 2004). Corporate social responsibility is another dimension of sustainable
development (SD) and sometimes referred to as the third bottom line (Elkington, 1997). Likewise, CSR is the latest strand of the fabric of sustainability which comes after economic and environmental responsibility (Hart, 1997).

A growing group of companies is acknowledging this trend towards CSR (Hoffman, 2000). However, they are faced with the problem of how to incorporate concept into practice. Corporate social responsibility concerns the management of an organisation’s total impact upon its immediate stakeholders and upon the society within which it operates. Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (WBCSD, 2002). For the purpose of this paper, CSR is defines as “a sustainable approach to business that seeks benefits for the company and its stakeholders”.

Many management scholars and consultants have argued that CSR offer terrific opportunities for progressive organisations and innovation is one of the primary means by which companies can achieve sustainable growth (Porter and Vander Linde, 1995; Hart, 1997). But the reality is that managers have had considerable difficulty dealing with CSR pressures. In particular, their innovation strategies are often inadequate to accommodate the highly complex and uncertain nature of CSR demands. Corporate social responsibility innovation is therefore usually more complex (because there is typically a wider range of stakeholders) and more ambiguous (as many of the parties have contradictory demands). As organisations try to meet these challenges, knowledge is increasingly being seen as important for innovation and for producing knowledge intensive services desired by stakeholders and society so as to maintain competitive advantage. The management of knowledge is therefore increasingly considered an important source of sustainable competitive advantage (Hamel and Prahalad, 1994; Nonaka and Takeuchi, 1995).

Companies that actively manage knowledge and respond to a wide range of sustainability indicators (economic, social, and environmental) are better able to create value for all these stakeholders over the long term (Funk, 2003). The key challenges for organisations to manage CSR knowledge is how to identify, map, assimilate, disseminate, and apply critical knowledge to practical solutions. In particular, capturing, sharing and mapping of knowledge between different actors (supply chain, shareholders, community, employees, etc.) with a different perspective (economic, environmental, legal, social, etc.) and purpose (profit maximisation, corporate philanthropy, ethics, waste minimisation, minimum price, etc.) is a key challenge.

Knowledge Management (KM) is the process of creating value from an organisation’s intangible assets. It deals with how best to leverage knowledge internally in the organisation and externally to the customers, suppliers, society and shareholders. For the purpose of this paper, KM is defined as a systematic and integrative process of coordinating the organisation wide activities of: creating, mapping, storing, and sharing knowledge by individuals and groups in pursuit of the major organisational social responsibility goals. It is the process through which organisations create and use their institutional and collective knowledge. Competitive advantage can be gained through corporate environmental and social responsibility along with economic responsibility (David, 1993).
As discussed by Porter (1998), competitiveness derives from innovation leading either to enhanced operational effectiveness or to superior strategic positioning. For the purpose of this research, the term “competitiveness” is defined as the potential for environmental and social responsiveness to improve long-term profitability of an organisation through managing sustainability change and related key knowledge. For example, by managing social sustainability change and related key knowledge, social sustainability responses that improve competitiveness include improved workplace, marketplace, supplier and community relation. In the study reported here, four standard industry classification sectors are identified based on the environmental, social and economic account of the urban environment. The sectors considered for this study are utility, transportation, construction, and not for profit (NPOs) sector.

The review of literature also suggests that there is few, if any, empirical studies on managing knowledge which have been carried out specifically within a CSR context. Therefore, there is a need to explore the complexities and challenges associated with managing CSR knowledge. One of the focuses of this on-going PhD study is to investigate and document the main challenges associated with implementing knowledge management initiatives in small, medium and large organisations from a sustainable urban environment perspective.

2. RESEARCH OBJECTIVES

This paper draws from an on-going doctoral study entitled ‘the contribution of knowledge and change management to competitiveness in sustainable urban environments’. The aim of this study is to explore the extent to which knowledge and change management, six sigma and the capability maturity model contributes to competitiveness in sustainable urban environments. The objectives of the study are:

- To identify the underlying philosophies of knowledge and change management and their interplay from both general and sustainable urban environment perspectives.
- To investigate and document the main challenges associated with implementing knowledge and change management initiatives in SME's and large organisations from a sustainable urban environment perspective.
- To examine the capability maturity model and six sigma issues for knowledge management implementation in a sustainable urban environment context.
- To examine and document the ways in which knowledge and change management influence the overall performance of organisations from a sustainable urban environment perspective.
- To analyse the strengths and weaknesses of knowledge and change management applications in developing an appropriate framework for knowledge mapping within and across organisation(s).
- Develop a framework for knowledge management, change management, six sigma and capability maturity model implementation within sustainable urban environments.
- Use appropriate case studies to demonstrate and test the applicability of the developed framework.
- Develop appropriate training and educational programmes on knowledge mapping for a sustainable urban environment for use in appropriate Continuing Professional
Development (CPD) programmes and for appropriate modules to benefit undergraduate and postgraduate curricular.

This study is still in its early stages. In this paper, much of what is presented is based on a thorough review of literature.

3. RESEARCH METHODOLOGY

In achieving the aim and objectives of this research, a robust methodology is being developed. Broadly, the research process is identified into three key phases within its flexible boundaries. The three phases are, namely, the literature review, the pilot study and the main study. The development of the research work started with the literature review. A thorough review of extensive literature is ongoing in the areas of knowledge management, change management, sustainable urban environments, six sigma and the capability maturity model. Good sources have been identified in journals, books, internet databases, periodicals, government reports, workshops, seminars and conference proceedings. The review of literature consists of the background study, issues, challenges, critical success factors, benefits and gaps in the respective areas and will result in a theoretical framework. The literature review is an ongoing process, which will be carried out simultaneously along with a pilot study and a main study to capture new issues and gaps in the literature. Prior to the main field study, a pilot study will be undertaken. The pilot study gives the researcher an opportunity to identify challenges and to modify the research method before embarking on the main study. The pilot study would also help with the refinement of data collection plans, with respect to both the contents of the data and the procedure to be followed (Yin, 1994). Data for the pilot study will be collected through interviews and questionnaires. Collected data will be analysed. The results derived from the data analyses will enable the modification of developed theoretical framework, based on the literature review in phase one. The main study is planned to involve both qualitative and quantitative research approach. The collected data will be analysed using the Statistical Package for the Social Sciences (SPSS) and the Non-numerical Unstructured Data Indexing Searching and Theorising (NUD*IST) software. The results derived from the data analyses will enable the development of CSR knowledge management model. The outcomes of the research will be CSR knowledge management model, an Information Technology based awareness-training tool, and guidance document on process improvements through knowledge management initiatives.

4. KEY DRIVERS FOR MANAGING CSR KNOWLEDGE:

Managing CSR is increasingly considered an integral part of core business values and strategy, rather than an isolated function within organisations dealing with risks of non-compliance or damage to reputation from negative publicity or scandals. The major driving forces behind the managing CSR and its relevant knowledge include globalisation, sustainable development and knowledge economy.

Globalisation: The effect of globalisation has been in creating a mindset of the world as a single market. This has created substantial uncertainty in the competitive landscape by bringing about fundamental changes in the traditional boundaries of nations,
industries and companies. Such changes continue to challenge the traditional rules of competition (Hitt et al., 1998). Throughout the late 1980s and 1990s, the new, knowledge-based economy generated millions of new jobs and a rash of innovative products and services for consumers. The offset of this has been to expose a wide range of labour, human rights and environment abuses, creating disjunction between meeting people’s needs, protecting natural resources and enhancing corporate profits, and a perfect trigger for anti-globalisation demonstrations. Therefore, the business world has realised that it must be able to demonstrate the corporate contribution to economic, social and environmental progress.

Sustainable Development: As economies develop and environmental pressures mount, people attach higher priority to the preservation and improvement of the natural and built environment. The Government also has a key role in ensuring that the future pattern of development is sustainable. Sustainable development has become more pressing as the realisation has spread that current patterns of human behaviour are unsustainable. This was demonstrated at the UN World Summit on SD (WSSD, 2002) in Johannesburg, when leaders from around the globe reaffirmed their commitment to SD to address the pressing problems of society and environmental degradation. All these factors imply increasing pressure on firms to reduce their dependence on the physical components of production, limit pollution and give a greater role to innovation, creativity and technical sophistication.

Knowledge Economy: Knowledge has been recognised as one of the main assets of organisations (Drucker, 1999). The knowledge driven economy is a more general phenomenon, encompassing the exploitation and use of knowledge in all production and service activities. Investors increasingly recognise the growing importance of knowledge assets in the way they value firms (DTI, 1998). The market place is increasingly competitive and the rate of innovation is rising, therefore knowledge must evolve and be assimilated at an ever-faster rate.

Other drivers for managing CSR knowledge range from corporate awareness of its intrinsic importance for future business success, to external pressures in forms ranging from stakeholder activism, client demands, investors demand, socially responsible investment and externally developed codes of conduct, to self-governance standards or codes developed by business organisations.

5. THE POTENTIAL BENEFITS OF MANAGING CSR KNOWLEDGE

World Business Council for SD supports the view that a coherent CSR strategy based on sound ethics and core values offers clear business benefits. These accrue from the adoption of a broader worldview, which enables business to monitor shifts in social expectations and helps control risks and identify market opportunities. Such strategy also helps to align corporate and societal values, thus improving reputation and maintaining public support (WBCSD, 2002). Similarly, Marsden (2000) pointed that socially-responsible companies are much more likely to attract good recruits, grow and retain loyalty, be preferred suppliers, and be given the benefit of the doubt when things go wrong. Table 1 highlights some of the potential benefits of managing CSR knowledge for different stakeholders.
<table>
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<th>Stakeholders</th>
<th>Potential Benefits</th>
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| Corporate    | • Socially responsible companies continually position themselves to perceive of, and adapt to, competitive pressures and changing context. Improved information and knowledge on own business activities and on stakeholder interests. Provides credible framework to benchmark own and competitor’s performance.  
  • Socially responsible re-design and reengineering of products can significantly cut operational costs, including material and energy use.  
  • The enhanced brand equity and reputation that comes with more socially responsible business practice attracts customers and talented employees while increasing shareholder value. |
| Customers     | • Improved information and knowledge about suppliers and products.  
  • Facilitates purchasing decisions. |
| Suppliers     | • Increased information and knowledge on industry standards, with potentials for enhancing product quality and brand protection.  
  • Enhance trust in supply chain. |
| Employees     | • Increased information and knowledge about employer policies, practices and performance.  
  • Provides framework for employees to contribute to improve social sustainability performance.  
  • Enhance trust in management.  
  • Improved relations with trade unions |
| Investors     | • Increased information and knowledge to assess intangible aspects of performance and value, allowing comparability and benchmarking.  
  • Enhance trust in management and governance. |
| Community     | • Increased information and knowledge enables improved monitoring and comparison of performance, and framework to provide feedback.  
  • Charitable contributions.  
  • Employee volunteer programmes.  
  • Corporate involvement in community education, employment and homelessness programmes. |
| Government    | • Increased information and knowledge enables cost-effective monitoring of own and corporate performance, and improves basis to make sound policy decisions.  
  • Enhance trust in capital market. |
| Environment   | • Greater material recyclability.  
  • Better product durability and functionality.  
  • Greater use of renewable resources.  
  • Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling. |
6. FRAMEWORK FOR MANAGING CSR KNOWLEDGE:

Too often, CSR is regarded as the panacea which will solve the global poverty gap, social exclusion and environmental degradation. It is useful to point out several dimensions in the CSR agenda. The European Commission in its Green Paper (2001) emphasises on CSR dimensions: business has to learn how to operate within interfering coordination mechanisms, with blurred boundaries and surrounding layers of varying degrees of responsibility, overlapping one other. Nowadays, governments increasingly leave societal issues within the authority of corporations. The internal dimension: within the company socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production; The external dimension: CSR extends beyond the doors of the company into the local community and involves a wide range of stakeholders in addition to employees and shareholders such as business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. For this research, based on a thorough review of literature and discussion with practitioners a conceptual framework is developed for a profit making organisation. Broadly, five CSR dimensions are identified namely, workplace, community, marketplace, suppliers, and built and natural environment.

![Figure 1: A Conceptual Framework for Managing Corporate Social Responsibility Knowledge](image)

As shown in Figure 1, the circle at the center of the diagram represents a profit making organisation. Inside that circle are its employees, capital, and processes. At the core is
the organisation’s vision, mission and values. Organisations typically interact with employees, suppliers, customers, built and natural environment, and community. Employees come from the communities in which organisations are located. Their wages return to the community’s economy. Organisation’s capital comes from a sector of the community and money flows in the other direction in the form of dividends, interest, and capital appreciation to shareholders. Government is part of community too. Organisations are connected to it through laws, regulations and money flows in the other direction through taxes. Every organisation is part of a supply chain with suppliers and customers. Products or services flow through that supply chain in one direction; money flows in the other direction. The supply chain is connected to Earth’s lithosphere for organic and inorganic materials. A very small amount of raw material is natural, coming from the biosphere. Organisation processes are connected to Earth’s biosphere by the waste-streams and emissions that produced by organisation. The products that make at the end of their useful lives go to landfill creating further pollution load for Earth’s biosphere.

In Figure 1, the dotted ellipse represents the knowledge flow between organisation and the identified five CSR dimensions. Supply chains are normally complex and characterised by interrelationships between different organisations. Organisations are affected by the actions of their direct and indirect suppliers and vice versa. The problem associated with transparency in supply chain relationships-the two way exchange of information and knowledge between suppliers, customers and organisation itself-represent chronic difficulty for managers.

Current competitive challenges induced by globalisation and advances in information technology have forced companies to focus on managing marketplace in particularly customer relationships, and customer satisfaction, in order to efficiently maximise revenues. According to Romano (2000) organisations should explore and refine customer relation knowledge management methods in order to get value-added knowledge for themselves and their customers and understanding not only customer purchasing patterns and trends but attitudes and preferences as well. Customer-related knowledge, level of customer service and customer satisfaction are especially regarded significant in retaining the competitive advantage of the firm (Porter, 1985).

Companies are increasingly expected to address environmental impacts of their facilities as well as the throughout the entire product lifecycle, from sourcing, production and transportation to marketing, use and disposal. Many writers suggest that current business practice will prove inadequate in addressing these problems (Hart, 1995; Porter and Van Der Linde, 1995). Thus, not only must the business community face the challenges of this green imperative but they must also capture the resources and develop the skills and capabilities to remain competitive in this new, dynamic, green environment.

The last decade has produced major changes in workplace practices and management. Global markets and competition, advances in technology and the fast pace of business change require employers to foster innovative, diverse and flexible workforces that understand company values and contribute to a common corporate culture and goals. Still, many employees expect less job security than before, but demand more training and responsibilities that serve long-term job skills. Investor and consumer groups now increasingly holding companies accountable for creating a fair and productive
workplace. Media coverage has simultaneously given greater visibility to so-called “best places to work,” out-sourcing and how companies address key issues such as equal opportunity, diversity, domestic partner benefits and employee safety. Still, in this changed work climate, evidence shows that companies with strong workplace practices enjoy faster growth, higher stock values and greater productivity.

An alternative perspective to the economic perspective is to view an industry as a social system in which not only firms but also other actors, such as community, government, non government organisations, universities and other religion institutions, interact (Stefanou et al., 2003). Stakeholders are increasingly calling upon companies–as powerful societal players – to help develop communities and create economic opportunity. Pressure is growing for companies to engage with communities not only in headquarter locations, but also where companies source and distribute their products, both domestically and around the world, to share wealth and skills and improve the quality of life for the residents. Traditionally, environmental compliance and social welfare expenditures were viewed as costs that correlate negatively with returns. However, recent studies suggest that there are several opportunities for competitive advantage and increased profits by engaging in strategic sustainability initiatives (Reinhardt, 1999). This reasoning reflects a shift from viewing business expenditures in a static world to viewing them in a dynamic one based on innovation. The following section elaborates on the challenges identified from literature that influence managing CSR knowledge within organisations.

7. CHALLENGES OF MANAGING CSR KNOWLEDGE

According to Nonaka and Takeuchi (1995), information is the “flow of message”, and knowledge is created when this flow of messages interacts with the beliefs and commitments of its holders. Also they argued that organisations cannot create knowledge without individuals, and unless individual knowledge is shared with other individuals and groups, the knowledge is likely to have limited impact on organisational effectiveness. Few challenges are highlighted for managing CSR knowledge in the following section.

**Stakeholders and Trust:** The capability to build interpersonal trust is essential if stakeholders with diverse interests and perspectives are to commit to a common cause that involves the exchange and development of information and knowledge across teams or networks. The way trust is built is unique for each organisation. It includes: the capacity to act with discretion, consistency between words and deeds, frequent and rich communication, fair and transparent decisions, establishment of shared visions and language or the recognition of the contribution of different professional ‘languages’. Roome (2001) suggests that trust ‘is informed by the perception of outcomes’. This in turn is supported by people assuming accountability for trust, their personal connections, the contribution of things of value, and the disclosure of expertise and limitations (Abrams, 2003). Building trust in teams involving highly diverse stakeholders is problematic because of opposed interests and points of view. There is a greater potential for disputes and power struggles, and of unmanageable agendas dominated by clashing ideologies (Selman, 1999).
Innovation: It has been argued that the concrete goals and instruments of the concept of SD should be formed in discussion among all parties involved (Sharma, 2003), as this contributes to a process of balanced integration. Thus, collaboration in networks and alliances of firms, suppliers, customers, citizens, governments and NGO’s contribute to the practical realisation of CSR. A firm’s capacity to collaborate and innovate for CSR while maintaining their competitiveness is regarded as a specific organisational competence. Moreover, the innovative capabilities of a company may be enlarged through co-production of knowledge with partners at all levels in the organisation. It has been suggested that this might be through domestic and international inter-firm collaboration (Cooke and Wills, 1999), and technology alliances that help a company to develop new competencies faster than through internal development (Doz and Hamel, 1997).

Knowledge Sharing Challenges: As businesses’ operations become more globalised, the task of capturing information and knowledge to support decision-making is becoming more difficult. An increased focus on corporate governance is another factor, driving firms to seek better information and knowledge on the risks they face, and on how different parts of the business are performing (Ernes-Jones, 2005). The challenge of deploying the knowledge assets of an enterprise in creating competitive advantage and ensuring a sustained business edge is important. CSR requires that an organisation acquire and make use of more knowledge about the surrounding environment, and its stakeholders demands. For example, a middle manager’s instuitive sense of market trends becomes the catalyst for important advancements in product stewardship. Similarly, a shop floor worker draws on years of experience to create a new process innovation that improves quality and reduces waste. In each case, an individual’s personal knowledge is transformed into organisational knowledge to the company as a whole (Nonaka, 1994). Therefore, organisation ability to effectively leverage its knowledge is highly dependent on its people, who actually create, share, and use the knowledge. Leveraging knowledge is only possible when people can share the knowledge they have and build on the knowledge of others. However, in practice, the lack of knowledge sharing has proved to be a major barrier to the effective management of knowledge in organisations (Davenport and Prusak, 1998).

Supply Chain Challenges: The challenge of capturing, organising, and disseminating CSR knowledge throughout the aggregate supply chain is a huge undertaking. Complexity increases by several magnitudes when one considers a multi-tiered supplier chain in which numerous dynamic interactions happen between several suppliers and manufacturers, distributors, and clients. The flow of knowledge between these interfaces is critical to the success of the supplier chain (Desouza et al., 2003). The amount of knowledge transferred from a person within an organisation to the partners will be influenced by the level of trust between the two organisations (Davenport and Prusak, 1998). For the supply chain to be optimised all elements of the supply chain must be connected to enable the flow of knowledge. Connectivity is the first attributes to allow the flow of knowledge throughout the supply chain. The second attribute is the communication of this CSR knowledge in a fashion that allows all the users in the supply chain to make business decisions that maximise client value while reducing social and environmental impact. The third attribute of supply chain KM systems is the ability to collaborate in a real-time fashion, encouraging knowledge sharing and allowing the supply chain to adjust to market changes in a more ethical way. There are
many problems with finding key knowledge assets in the supply chain and being able to exploit the knowledge in an efficient and cost-effective manner.

8. CONCLUSIONS

It is clear that managing CSR knowledge is a complex process. Knowledge in organisations is dynamic in nature and is dependent on social relationships between individuals for its creation, sharing, and use. Managers would continue to strive for productivity, innovation, profitability, and other competitive goals—but, they would do so more effectively by harnessing the knowledge of their stakeholders. Conversely, stakeholders would continue to strive for social benefits—but they would achieve more by sharing knowledge and forming pragmatic relationships with management. This paper has highlighted some of the complexities and challenges associated with managing CSR knowledge for improved organisational competitiveness. A background to CSR, KM, and competitiveness has been documented. The proposed research aim and objectives, research methodology have been discussed. In addition to this, a conceptual framework for managing CSR knowledge have been developed and discussed.

Today’s challenge for the practitioners lies in attaining levels of comfort with respect to social, economic, and environmental values, while protecting the heritage of future generations. The review of literature reveals that achieving sustainability means change for the industry, and that such a process of change depends on the ability of stakeholders and individual organisations to manage and work with new knowledge (Doppel, 2003). Therefore, there is a need to institutionalise the new combination of management strategies, such as knowledge and change management in order to understand and improve the competitiveness of their business. The paper concludes that managing CSR knowledge is an integrated and complex process. This has culture, people, technology, communication, leadership and organisational structures at its core. It is suggested that qualitative research is necessary to uncover many of the complex and intricate issues associated with managing CSR knowledge.

9. REFERENCES


